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Prime Minister Impresses Washington

Although virtually no substantive action was taken on thorny trade issues, Japanese Prime Minister Yasuhiro Nakasone's four-day visit to Washington last week did succeed in improving the rather fractious climate surrounding bilateral relations. The new premier impressed both administration and congressional leaders with his grasp of the issues and his determination to expedite their resolution.

Aside from his meetings with President Reagan, in which Mr. Nakasone said both leaders established a "warm personal relationship," discussions were held with Secretary of State George Schultz, Secretary of Defense Caspar Weinberger, as well as Cabinet members Malcolm Baldrige and Donald Regan, and U.S. Trade Representative William Brock. Although official remarks were peppered with words of praise for some of the politically sensitive actions the new prime minister has taken during his first seven weeks in office, particularly the most recent package of tariff reductions and regulatory

Mr. Nakasone seems to be determined to stick to his defense policy and has said that if the opposition decides to call for a vote of confidence, he may resort to a national election for the House of Representatives. This is risky for both the LDP and the opposition in terms of political timing, fund raising and the electoral machines. Mr. Nakasone's qualities of leadership will be tested when the Diet debates these issues.

Fumiko Mori

The State of the Japanese Economy

At the start of the new year the Japanese economy faces some problems, but it is in better shape than other industrial countries. Much of the economic information available is subject to widely differing interpretations, however, making it difficult to forecast the impact on bilateral economic relations.

For example, the GNP figures released for the third quarter of 1982 show real (inflation-adjusted) GNP growth in the third quarter at 2.5 percent at an annualized rate (see attached table for details), considerably below the government's original forecast for FY 1982. However, many private-sector observers in Tokyo were not disappointed because the figure was better than they had expected. The GNP figures also show revised second-quarter data indicating that real growth in that quarter rose to an annualized 8 percent, which some see as unrealistic and possibly representing some flaw in the calculation process.

Prices are a source of encouragement in Japan. Wholesale price increases have been running less than 2 percent above year-earlier levels since last May and consumer price inflation is only 3 percent. The year average is now available for the Tokyo area consumer price index, showing 1982 prices 3.1 percent above 1981.

Other indicators are mixed. Equipment orders declined over year-earlier levels in most months of 1982, as did the manufacturing operating rate (a measure of capacity utilization). Reflecting this drop in industrial activity, unemployment is 2.4 percent — low compared to other countries, but higher than past Japanese experience. The ratio of job openings to job seekers (a widely used statistic in Japan) was 0.59 in November, considerably worse than the 0.67 average for 1981. The weakness in labor demand will probably be reflected in the 1983 wage bargaining offensive, discussed elsewhere in this issue.

The picture that emerges shows a still-growing economy with rather stable prices, but some weak spots or performance indicators below potential. It is easy to interpret these data optimistically or pessimistically, depending on the observer's viewpoint. In the eyes of some analysts, these economic factors feed into arguments opposing further unilateral market-access measures. Another debate emerging from conflicting views of the data is over appropriate fiscal policy (to stimulate or not to stimulate), as discussed in this week's JEI Report No. 4A, (January 28, 1983).

Edward Lincoln

Japan's Trade Surplus Declines in 1982

Ministry of Finance statistics show Japan's global trade surplus for 1982 on a customs clearance basis was $6.9 billion (the fourth-largest in history), down from $8.7 billion a year earlier. Exports slid to $138.9 billion, down 8.7 percent in the first decline since 1952, and imports slowed to $132.0 billion, a 7.9-percent drop. However, the trade figures calculated in yen show a different picture; exports increased 2.9 percent and imports 3.8 percent, recording all-time-highs, with the difference between this and the dollar figures attributable to the yen's depreciation.

Japan's Real Gross National Product at Constant Prices (1975 Prices)

(in billions of yen, seasonally adjusted, quarterly totals and rates of growth at annual rates)

	FY 1980	FY 1981	October-December 1981	January-March 1982	April-June 1982	July-September 1982
Gross National Product	¥190,126.5 (3.7%)	¥198,068.2 (3.3%)	¥198,009.0 (-1.0%)	¥198,754.9 (1.5%)	¥202,624.0 (8.0%)	¥203,880.3 (2.5%)
Personal Consumption Spending	101,335.4 (0.3%)	103,090.5 (1.1%)	103,311.0 (3.2%)	104,308.4 (5.1%)	106,674.8 (9.4%)	106,993.2 (1.2%)
Private Residential Construction	10,859.8 (-10.1%)	10,653.2 (-2.0%)	10,523.7 (-5.5%)	10,362.8 (-6.0%)	10,451.8 (3.5%)	10,510.8 (2.3%)
Private Fixed Nonresidential Investment	31,964.6 (5.7%)	34,130.3 (4.4%)	34,294.7 (4.9%)	34,319.7 (0.3%)	34,504.3 (2.2%)	34,550.2 (0.5%)
Change in Business Inventories	1,805.2 (-3.2%)	1,416.7 (-23.1%)	1,962.1 (*)	1,567.8 (*)	1,447.6 (*)	778.8 (*)
Government Current Expenditures	17,973.3 (2.7%)	18,839.4 (3.9%)	18,957.8 (4.9%)	19,068.4 (2.4%)	19,362.1 (6.3%)	19,479.1 (2.4%)
Government Fixed Investment	18,002.7 (-0.5%)	18,581.9 (2.9%)	18,708.2 (-12.2%)	17,911.7 (-16.0%)	18,758.2 (20.2%)	19,817.6 (24.6%)
Change in Government Inventories	-236.8 (-509.8%)	-272.3 (15.0%)	-656.3 (*)	-114.3 (*)	-11.9 (*)	-264.7 (*)
Net External Sector	8,422.4 (247.6%)	11,628.5 (38.6%)	10,907.2 (-49.5%)	11,330.6 (16.5%)	11,413.3 (2.9%)	12,015.3 (22.8%)
Exports of Goods and Services and Factor Income Received	34,713.0 (16.6%)	40,001.2 (15.3%)	39,776.7 (-12.2%)	40,365.4 (6.1%)	40,119.9 (-2.4%)	41,236.4 (11.6%)
Imports of Goods and Services and Factor Income Paid	26,290.6 (-3.9%)	28,372.7 (7.8%)	28,869.6 (10.8%)	29,034.8 (2.3%)	28,706.6 (-4.4%)	29,221.1 (7.4%)

*Cannot be calculated or meaningless.

Source: Economic Planning Agency